

STATE OF MICHIGAN
BEFORE THE MICHIGAN PUBLIC SERVICE COMMISSION

* * * * *

In the matter, on the Commission's own motion,)	
regarding the regulatory reviews, revisions,)	
determinations, and/or approvals necessary for)	Case No. U-18111
DTE ELECTRIC COMPANY to fully comply with)	
Public Acts 286 and 295 of 2008.)	
_____)	

At the December 20, 2016 meeting of the Michigan Public Service Commission in Lansing,
Michigan.

PRESENT: Hon. Sally A. Talberg, Chairman
Hon. Norman J. Saari, Commissioner
Hon. Rachael A. Eubanks, Commissioner

ORDER

On November 18, 2016, DTE Electric Company (DTE Electric) filed an application requesting *ex parte* review and approval of the Pine River Wind Park Build-Transfer contract with Pine River Wind Engineering, LLC (Pine River). The Build-Transfer contract requires Pine River to design, engineer, construct, install, start-up, and test the Pine River Wind Park. Upon completion of these activities DTE Electric will purchase the facility. The wind farm, to be sited in Pine River Township in Gratiot County and Coe Township in Isabella County, will result in a total of 161.3 megawatts of DTE Electric-owned renewable energy capacity. The commercial operation date for the wind farm will be on or before December 31, 2018.

The contract was the result of a request for proposals (RFP), which DTE Electric developed in consultation with the Commission Staff (Staff). The bidding criteria used by the company for the

RFP included scoring for experience, safety and quality, project feasibility, proposed technology, pricing, contract terms and conditions, scope and specifications, financial strength, and creditworthiness. The closed-bid RFP was issued on May 20, 2016. By the due date of July 1, 2016, DTE Electric received four proposals from three developers. Utilizing an evaluation scorecard developed in consultation with the Staff, DTE Electric entered into negotiations with three developers and completed negotiations with Pine River. The executed contract is the result of the negotiations.

The Staff conducted regulatory reviews of DTE Electric's RFP process, evaluation methods, and analysis that led to the contract on October 5, 2016. The Staff concluded that the company's RFP processes in this instance complied in all material respects with the procedures approved in the August 25, 2009 order in Case No. U-15806 and the guidance contained in the Temporary Order issued on December 4, 2008, in Case No. U-15800.

DTE Electric's evaluation process provided assurances that the contract has the most reasonable and prudent terms and conditions, and complies with the retail rate impacts of 2008 PA 295 (Act 295). DTE Electric filed copies of the contract with certain sensitive portions redacted to protect confidential information that might negatively affect the competitive market. However, DTE Electric provided the Staff the opportunity to review unredacted versions of the documents on December 6, 2016.

In its application, DTE Electric states that the installed cost for the Pine River Wind Park is \$1,615 per kilowatt (kW), which is less than the installed cost of \$2,116 per kW assumed in DTE Electric's amended renewable energy plan (REP) approved on September 23, 2016 in Case No. U-18111. DTE Electric contends that approval of the contract will result in lower incremental

costs of compliance and lower overall cost of service to DTE Electric's customers over the life of the REP.

DTE Electric also requests that the Commission approve the renewable energy transfer and capacity prices as set forth in Exhibit A-4 filed in Case No. U-17804, for recovery under the company's power supply cost recovery process. DTE Electric requests that the Commission approve the contract and provide assurance that the full costs will be recoverable through the application of the transfer mechanism and other mechanisms as determined by the Commission. DTE Electric states that the requested contract approval will not result in an alteration or amendment in rates or rate schedules and will not result in an increase in the cost of service to customers because the contracts are consistent with the planning activities, expenses, and revenue recovery mechanisms and surcharges described in DTE Electric's currently-approved REP. Therefore, DTE Electric states that its application may be authorized and approved without notice or hearing pursuant to MCL 460.6a(1).

Discussion

MCL 460.1033 provides in part:

(1) Subject to subsections (2) and (3), an electric provider that had 1,000,000 or more retail customers in this state on January 1, 2008 shall obtain the renewable energy credits that are necessary to meet the renewable energy credit standard in 2015 and thereafter as follows:

* * *

(a) At the electric provider's option, up to but no more than 50% of the renewable energy credits shall be from any of the following:

(i) Renewable energy systems that were developed by and are owned by the electric provider. ***An electric provider shall competitively bid any contract for engineering, procurement, or construction of any new renewable energy systems described in this subdivision.***

(Emphasis added)

* * *

(3) An electric provider shall submit a contract entered into pursuant to subsection (1) to the commission for review and approval. If the commission approves the contract, it shall be considered to be consistent with the electric provider's renewable energy plan.

The Commission has reviewed the contract submitted by DTE Electric pursuant to Act 295 and finds that the contract should be approved. In accordance with MCL 460.1033(1)(a)(i), the company has demonstrated that it has competitively bid the contract. The Commission finds that the projected cost per kW under the contract is less than what was approved in DTE Electric's amended REP; accordingly, the contract is consistent with DTE Electric's approved REP. The Commission further finds that *ex parte* review and approval is appropriate, because the contract will not affect rates or rate schedules resulting in an increase in the cost of service to customers.

THEREFORE, IT IS ORDERED that the Build-Transfer Contract with Pine River Wind Engineering, LLC, is approved as in compliance with 2008 PA 295 and consistent with DTE Electric Company's approved renewable energy plan.

The Commission reserves jurisdiction and may issue further orders as necessary.

Any party desiring to appeal this order must do so in the appropriate court within 30 days after issuance and notice of this order, under MCL 462.26. To comply with the Michigan Rules of Court's requirement to notify the Commission of an appeal, appellants shall send required notices to both the Commission's Executive Secretary and to the Commission's Legal Counsel. Electronic notifications should be sent to the Executive Secretary at mpscedockets@michigan.gov and to the Michigan Department of the Attorney General - Public Service Division at pungpl@michigan.gov. In lieu of electronic submissions, paper copies of such notifications may be sent to the Executive Secretary and the Attorney General - Public Service Division at 7109 W. Saginaw Hwy., Lansing, MI 48917.

MICHIGAN PUBLIC SERVICE COMMISSION

Sally A. Talberg, Chairman

Norman J. Saari, Commissioner

Rachael A. Eubanks, Commissioner

By its action of December 20, 2016.

Kavita Kale, Executive Secretary